

Housing Markets Division  
DCLG  
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2 Marsham Street  
London SW1P 4DF

08 March 2016

Dear Madam

**CONSULTATION ON NEW HOMES BONUS: SHARPENING THE INCENTIVE –  
A RESPONSE BY THE HOME BUILDERS FEDERATION**

Thank you for consulting the Home Builders Federation on New Homes Bonus:  
Sharpening the Incentive.

The Home Builders Federation is the principal representative body of the housebuilding industry in England and Wales and our representations reflect the views of discussions with our membership of national and multinational plc's, through regional developers to small, local builders. Our members account for over 80% of all new housing built in England and Wales in any one year.

**Changing the number of years for which payments are made**

**Question 1: What are your views on moving from 6 years of payments under the Bonus to 4 years, with an interim period for 5 year payments?**

We support the move to pay New Homes Bonus (NHB) for 4 years instead of the current 6 year period. Not only will this encourage local authorities to continue to plan positively for dwellings in order to maintain the income from NHB but it will also allow those authorities who have not yet fully embraced positive planning to move out of a position of not receiving NHB for 6 years to only having to wait for 4 years until the benefits of approving planning permissions for housing are reflected in NHB payments.

Reducing the payments via an interim 5 year period is considered to be a pragmatic transition.

**Question 2: Should the number of years of payments under the Bonus be reduced further to 3 or 2 years?**

The benefits of reducing the payment period are to ensure that positive planning is an ongoing process across all local planning authorities. However, if the period is too short then the incentive becomes less meaningful. We would not, therefore, wish to see the payments reduced to just one or two years and see three years as the minimum period for which the NHB would remain a meaningful incentive for positive planning decisions.

**Question 3: Should the Government continue to use this approach? If not, what alternatives would work better?**

The government's approach for calculating the NHB is very simplistic and does not allow for a more targeted approach towards payment. This is demonstrated very clearly with regard the proposals to reduce the bonus payment on dwellings granted permission through appeal where this simplistic approach does not allow for individual sites to be excluded from payments in the future. We seek to address this in our response to Q6 and Q7.

With regard to using a methodology that scales payments with regard to the national average band D council tax bill, if the government's simplistic calculation method is maintained, we can see no alternative. It should be noted that we are not aware of the current system having produced any glaring anomalies over the years it has been in place.

**A: Withholding the Bonus where no Local Plan has been produced**

**Question 4: Do you agree that local authorities should lose their Bonus allocation in the years during which their Local Plan has not been submitted? If not, what alternative arrangement should be in place?**

We agree that the NHB should be linked to the production of local plans and that such plans should be kept up to date in order to continue to receive NHB.

However, many local authorities that produced a plan in accordance with the P&CPA 2004 delivered only a Core Strategy rather than a whole local plan. Many such authorities are only now producing Part 2 plans such as site allocation plans and development management policy documents. While this approach is consistent with the legal framework set out in the Planning Acts it is not compatible with the positive planning regime brought about by the NPPF of March 2012.

The "production" of a plan is certainly not the same as "adoption" of a plan, on which decisions can be based under S38(6) of the relevant Act. We are concerned, therefore, that some local authority plans that are "produced" are not fit for purpose and are found wanting at public examination. It cannot be right that such plans are rewarded through NHB. We believe that rather than relying on the production of a plan the test should be the adoption of a plan.

**Question 5: Is there merit in a mechanism for abatement which reflects the date of the adopted plan?**

Our response to Q5 suggests that NHB should be entirely related to having an adopted plan but plans must be kept up to date. However, plans are not automatically out of date merely due to the passage of time and the application of a standard abatement rate over time is therefore inappropriate.

One measure of whether or not a plan is up to date is whether or not a local authority can demonstrate a five year supply of housing land. This is generally measured through S78 appeals and we suggest that such appeals could be used to monitor whether plans are up to date or not. The lack of a five year housing supply should reduce or remove the NHB paid to that local authority.

## **B: Reducing payments for homes allowed on appeal**

### **Question 6: Do you agree to this mechanism for reflecting homes only allowed on appeal in Bonus payments?**

We agree with the principle that NHB should not be used to “reward” those authorities who do not make positive planning decisions with regard to housing provision. However, while we appreciate the added complexity of tracking individual schemes this is a much more transparent approach, linking actual decisions to encouragement of positive decision making.

It would also allow a greater nexus between the development of schemes allowed at appeal and the payment of NHB over the lifetime of the development. The government’s preferred option for reducing payments in the year the appeal is lost means that while the authority will face reduced payments for a year it will still receive payments for the lifetime of the development itself. This would be a particular problem with large scale developments that take more than a single year to be built out.

As an example of this perverse outcome, if an authority is required to deliver 200 dwellings per annum and loses an appeal for 1,000 dwellings the NHB for the following year will be reduced to zero (assuming the new annual NHB would be based on additions to the stock of 200 dwellings minus the lost appeal for 1,000 units). However, once the development starts to produce completions the authority will receive NHB payments on the entire 1,000 dwellings for the lifetime of the development. This could be for many years, totally dwarfing the one year loss of NHB in the year the appeal was allowed.

### **Question 7: Do you agree that New Homes Bonus payments should be reduced by 50%, or 100%, where homes are allowed on appeal? If not, what other adjustment would you propose, and why?**

Using a more fine grained monitoring process, linking actual decisions to individual sites would allow for a more robust assessment of the level of NHB that should be paid on specific developments depending on how that decision was arrived at. It would be very easy, using database technology, to attach a proportion of NHB to every decision related to how the decision was made. Obviously, those decisions that are made by the LPA would attract 100% NHB while at appeal an inspector could apportion the amount to be paid depending on the circumstances of the case.

In submitting claims for NHB the LPA would have to submit completions data and attach the proportionate level of NHB to such completions, resulting in a full payment equivalent figure against which NHB would be paid for that year.

This process would have the added benefit of improving LPA monitoring data based on actual completions on sites. This, in turn, would assist them in meeting their new obligations under the proposed local plan delivery test.

### **Question 8: Do you agree that reductions should be based on the national average Band D council tax? If this were to change (see question 3) should the new model also be adopted for this purpose?**

Any reductions in NHB payments should be based on the standard methodology for the calculation of the bonus. Our suggestions above, regarding the need for more accurate monitoring of permissions and completions data would allow a more fine grained assessment of the level of NHB that should be paid on all permissions.

## **C: Removing deadweight**

### **Question 9: Do you agree that setting a national baseline offers the best incentive effect for the Bonus?**

While we are sympathetic to the idea of using NHB solely as an incentive to promote additional growth and delivery of houses we can see no realistic and robust way of identifying (and thus removing) “deadweight”.

Indeed, we believe that by trying to do so the government runs the risk of encouraging local authorities to set even lower housing targets in their local plans in order that they can “over provide” and receive NHB payments. This would, obviously, be contrary to the overall objectives of the government to increase housing delivery.

The setting of a national baseline is not consistent with robust spatial planning whereby some places are, rightly, areas of growth and some are, again rightly, areas of constraint.

### **Question 10: Do you agree that the right level for the baseline is 0.25%?**

We do not believe that setting a national baseline offers the best incentive effect for the NHB and can see little justification for the setting of the level at 0.25% of the existing housing stock which appears to have been based on evidence of planned provision using out of date, historic population and household projections.

If a baseline is to be established then it should be based on the most up to date data looking forward rather than backwards and should be set at a local level appropriate to individual local authorities.

### **Question 11: Do you agree that adjustments to the baseline should be used to reflect significant and unexpected housing growth? If not, what other mechanism could be used to ensure that the costs of the Bonus stay within the funding envelope and ensure that we have the necessary resources for adult social care?**

The government’s analysis of the effect of making adjustments to any nationally set “baseline” shows the folly of such an approach.

The government should plan to fund the NHB for the level of housing growth that it expects local authorities to deliver. If this is 1m new homes by 2020 then it should budget accordingly. The fact that delivery of new dwellings is not flat but follows peaks and troughs should be predictable through the publication of robust trajectory plans and five year housing land supply documents published by local planning authorities. It should, therefore, be possible for central government to confidently predict the necessary budget for NHB.

There is no direct correlation between the payment of NHB and any necessary investment in adult social care. Therefore a saving in the cost of the former (although obviously saving government expenditure overall) does not automatically mean that there will be an increase, or maintenance, of the spending on the other.

## **National parks, development corporations and county councils**

### **Question 12: Do you agree that the same adjustments as elsewhere should apply in areas covered by National Parks, the Broads Authority and development corporations?**

If NHB is to be paid on the basis of having local plans in place and delivering housing against targets set therein then all plan making authorities should be eligible for NHB payments.

### **Question 13: Do you agree that county councils should not be exempted from adjustments to the Bonus payments?**

County Councils should work jointly with local planning authorities to ensure that necessary infrastructure provision is in line with local plan delivery targets. It is up to the County Councils to put forward a robust case as to why they deserve to receive NHB payments as part of supporting positive planning decisions to deliver new housing. It is also the responsibility of County Councils to persuade local authorities of the benefits of making positive planning decisions in terms of the contributions that NHB will make to their budgets and ability to meet infrastructure needs.

The corollary of this is that where local authorities do not receive NHB County Council will also not receive the money.

### **Question 14: What are your views on whether there is merit in considering protection for those who may face an adverse impact from these proposals?**

We have questioned some of the government's proposals set out in the consultation as we believe that they may have unintended consequences, not just on the behaviour of local authorities but on some individual authorities through no fault of their own and government should assess and address any such issues.

Similarly, we believe that in moving from the existing NHB regime to a new process the government should always consider whether or not a transition period is appropriate. Clearly there are some issues covered by the consultation where the government already recognises the need for transition and the need to continue legacy payments on the previous terms of NHB and we have supported those in our responses above.

We look forward to seeing the government's response to this consultation in due course and would be happy to discuss further the points raised above in greater detail in order that we can bring about effective change to the incentive of the New Homes Bonus.

Yours faithfully



Andrew Whitaker  
**HBF Planning Director**